ANNUAL REPORT

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FROM COAST TO COAST

INDUSTRIAL ALLIANCE
LIFE INSURANCE COMPANY

STRENGTH THROUGH PERFORMANCE

Created in 1892, Industrial-Alliance is one of Canada's fastest growing and most profitable insurance companies.

The Company operates throughout Canada under three brand names – Industrial-Alliance, National Life and North West Life of Canada.

Its well-diversified product mix consists of a wide range of protection (life and health insurance) and wealth management (savings and retirement) products and services.

Industrial-Alliance markets its products and services through multiple distribution channels, which together represent one of Canada's largest distribution networks.

In 1998, the Company was ranked seventh in Canada among life and health insurance companies. As at December 31, 1999, it managed over $13 billion in assets and served over 1.5 million Canadians.

INDUSTRIAL-ALLIANCE IS NOW LISTED ON THE TORONTO STOCK EXCHANGE

On February 10, Industrial-Alliance entered a new era. The Company was officially listed on the TSE, thus marking the end of its conversion process, from a mutual insurance company to a capital stock insurance company. Industrial-Alliance shares are trading on the Toronto Stock Exchange under the ticker symbol IAG.

INDUSTRIAL ALLIANCE
LIFE INSURANCE COMPANY

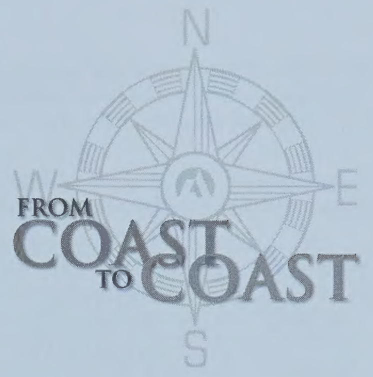
HIGHLIGHTS
(Consolidated Operations)

	1999 Pro forma [1]	**1999**	1998	Difference
	(in millions of dollars, unless otherwise indicated)			
Profitability				
Net income	*75.0* [2]	**83.4**	69.7	19.7%
Rate of return				
- on shareholders' average equity	*13.20%*	-	-	-
- on policyowners' average equity	-	**13.57%**	13.02%	-
- per $100 of average assets	*$0.79* [3]	**$0.88**	$0.89	-
Net income per share	*$2.12*	-	-	-
Financial position				
Capital base	*904.8*	**912.9**	693.2	31.7%
Total assets (general funds and segregated funds)	*13,050.8*	**13,050.8**	10,625.9	22.8%
Minimum continuing capital and surplus requirements (MCCSR): ratio	-	**181.1%**	182.3%	-
Quality of investments				
Non-performing assets as a % of investments	*0.26%*	**0.26%**	0.79%	-
Mortgage loans: Delinquency rate	*0.28%*	**0.28%**	0.54%	-
Bonds: Rated BB and lower as a % of the portfolio	*0.09%*	**0.09%**	0.26%	-
Real estate: Occupancy rate	*95.11%*	**95.11%**	91.03%	-
Common stocks and equity indices: Market value as a % of book value	*113.04%*	**113.04%**	103.46%	-
Other information				
Premiums	*2,009.2*	**2,009.2**	1,788.2	12.4%
Fees and other income	*68.0*	**68.0**	49.1	38.5%
General expenses	*189.9*	**189.9**	145.6	30.4%
Human resources (number of people, life insurance companies)				
Number of employees	*1,932*	**1,932**	1,611	321
Number of agents	*14,124*	**14,124**	9,022	5,102

1 On a capital stock company basis.

2 Net income allotted to shareholders.

3 Net income allotted to shareholders based on average assets.



This annual report reflects what Industrial-Alliance has become in its over 108 years of existence: a Canada-wide company active in all regions of the country.

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MESSAGE FROM THE CHAIRMAN
OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Raymond Garneau
Chairman of the Board and Chief Executive Officer

"Industrial-Alliance is ranked seventh in Canada among life and health insurance companies."

The year 1999 was exceptional for Industrial-Alliance, both in terms of financial results and achievements.

On the financial front, the year ended with an $83.4 million profit, $13.7 million more than in 1998, a 13.57% rate of return on policyowners' equity, compared to 13.02% in 1998, and $2,009.2 million in premium income, 12.4% higher than the previous year.

In terms of achievements, we completed several major projects: purchase of Seaboard Life at the beginning of 1999 and its integration with North West Life of Canada, sale of the Canadian Union and North West of America, for a $5.3 million profit after income taxes, smooth transition to the year 2000 and, most of all, conversion of Industrial-Alliance into a capital stock company.

It would be impossible to talk about 1999 without discussing Industrial-Alliance's conversion from a mutual company into a capital stock company.

The project was completed on February 10, 2000, with the closing of the Company's initial public offering and the official listing of Industrial-Alliance shares on the Toronto Stock Exchange. Industrial-Alliance then entered a new era.

To me, this change in the ownership structure marks a natural and legitimate end – and extension – of development plans set in action by the Company over the past ten years. This development has always been motivated by a single objective: to make Industrial-Alliance a large life and health insurance and financial services company with operations across Canada.

We are now ready to meet the challenges of a capital stock company. With over $13 billion in assets, Industrial-Alliance is ranked seventh in Canada among life and health insurance companies.

Our profitability is high and consistent, our growth is remarkable, our distribution network is among the largest and most diversified in Canada, our operations are well-diversified regionally, we have an excellent quality of investments, our management team is competent and experienced, our personnel are dedicated and our strategy focuses on growth and profitability. All the ingredients for success are there.

In the following pages you will find the consolidated financial statements for Industrial-Alliance for 1999. They are an elegant testimony of the solidity acquired over its 108 years of existence.

Raymond Garneau

MANAGEMENT'S DISCUSSION
AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Management's discussion and analysis of the results of operations and financial position covers the following elements: funds under management, premiums, investment and other income, cost of commitments to policyowners, net transfer to segregated funds and experience refunds, commissions and other expenses, income taxes, net income, cash flows and liquidity and cash resources.

1. FUNDS UNDER MANAGEMENT

Funds under management, whether they come from segregated funds or general funds, are a measure of the Company's growth. This growth is affected by the amount of new sales, retention of policies in force and investment income from assets.

Funds under management

As at December 31 (in millions of dollars)

	1999	1998	1997
General funds assets	**9,662.5**	8,085.3	7,600.1
Segregated funds assets	**3,388.3**	2,540.6	2,044.9
Total assets under management	**13,050.8**	10,625.9	9,645.0

1999 compared with 1998

Funds under management increased by 22.8%, from $10.6 billion to $13.1 billion as at December 31, 1999. General funds and segregated funds increased by 19.5% and 33.4% respectively. This strong increase in the general funds and segregated funds is attributable mainly to the acquisition of Seaboard Life in 1999.

2. PREMIUMS

Growth in premiums results from higher steady internal growth than the industry. An important factor is the growing popularity of savings and retirement products in the past few years, affected by the situation and performance of the financial markets, as demonstrated by the stability shown in 1999.

Premiums

Years ended December 31 (in millions of dollars)

	1999	1998
Individual insurance	**534.6**	416.3
Group insurance	**330.1**	207.2
Individual annuities	**477.3**	502.6
Group pensions	**636.3**	609.6
General insurance	**30.9**	52.5
Total premiums	**2,009.2**	1,788.2

1999 compared with 1998

For 1999, premium income increased by $221 million compared to 1998 to reach $2,009.2 million. The acquisition of Seaboard was a significant factor influencing the growth of premium income compared to 1998.

Individual insurance — Premium income increased by $118.3 million. This increase is explained by the Seaboard acquisition and the strong level of new sales, which increased 42% over 1998 (with sales expressed in first-year annualized premiums).

Group insurance — Premium income increased by $122.9 million, due to the Seaboard acquisition, particularly through creditor life insurance operations.

Individual annuities — Premiums decreased by $25.3 million in 1999 compared with the previous year. The decline reflects the disappointing performances of certain investment funds and the difficult environment prevailing in the market, particularly at the beginning of the year, the highlight of the RRSP contribution period.

Group pensions — Premium income increased by $26.7 million. This increase, which comes from government assistance programs for Canadian workers, is partially offset by lower contributions under a large contract with a Canadian professional association.

3. INVESTMENT AND OTHER INCOME

Investment income includes the changes in value in certain investments, gains and losses resulting from disposition of investments, interest and dividend income, as well as real estate net rental income.

Investment and other income

Years ended December 31 (in millions of dollars)

	1999	1998
Investment income	**733.1**	597.0
Other income	**68.0**	49.1
Total	**801.1**	646.1

1999 compared with 1998

Investment income increased $136.1 million in 1999, primarily due to the growth in general funds assets following the Seaboard acquisition. The overall quality of the asset portfolio is higher than that of the industry, according to an annual survey by the rating agency DBRS. Excluding insured mortgage loans, non-performing assets represented 0.26% of investments as at December 31, 1999, compared with 0.79% as at December 31, 1998. Other income increased by $18.9 million, a direct consequence of the increase of segregated funds assets.

MANAGEMENT'S DISCUSSION
AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

4. COST OF COMMITMENTS TO POLICYOWNERS, NET TRANSFER TO SEGREGATED FUNDS AND EXPERIENCE REFUNDS

The cost of commitments to policyowners includes the increase in provisions for future policy benefits, claims incurred, (death, contract termination and health benefits and annuity payments) and interest on amounts on deposit. The increase in provisions for future policy benefits is greatly influenced by the level of premiums (which increases the provisions for future policy benefits), claims incurred (which decreases the provisions for future policy benefits) and net transfers to segregated funds (which decreases the provisions for future policy benefits). Each year, the Company updates the assumptions used to calculate the provisions for future policy benefits for each business line. These updates can have an effect on several assumptions, including interest rates, mortality and termination of contracts.

Cost of commitments to policyowners, net transfer to segregated funds and experience refunds

Years ended December 31 (in millions of dollars)

	1999	1998
Cost of commitments to policyowners	**1,676.5**	1,330.0
Net transfer to segregated funds	**527.2**	637.1
Experience refunds	**9.0**	17.2
Total	**2,212.7**	1,984.3

1999 compared with 1998

The cost of commitments to policyowners, net transfer to segregated funds and experience refunds increased by $228.4 million in 1999 due to the normal growth of business and the Seaboard acquisition. The net transfer to segregated funds decreased by $109.9 million due to weaker growth in the demand for segregated funds.

5. COMMISSIONS AND OTHER EXPENSES

Commissions represent agents' and brokers' compensation on new business and some current business. Premium taxes represent the amounts of taxes to be remitted based on the premiums of the insurance industry under the applicable tax laws. General expenses represent the various expenses related to the operations of the Company and its subsidiaries, such as employees compensation.

Commissions and other expenses

Years ended December 31 (in millions of dollars)

	1999	1998
Commissions	**226.3**	156.4
Premium taxes	**20.6**	16.3
General expenses	**189.9**	145.7
Net financing expenses	**16.6**	6.4
Total	**453.4**	324.8

1999 compared with 1998

Commissions and other expenses increased by $128.6 million, from $324.8 million in 1998 to $453.4 million in 1999. This increase mainly reflects the acquisition of Seaboard and steady business growth. The issuance of a $75 million subordinated debenture in early 1999 explains the increase in financing expenses.

6. INCOME TAXES

The income tax charge posted to the operations is made up of income taxes, the tax on capital of financial institutions, large corporations tax and investment income taxes. Since 1998, the Company has accounted for income taxes using the liability method. This method takes into account current and future income taxes payable by the Company. Hence, the income taxes reported in the statements of income reflect a tax charge whose real rate differs from the federal and provincial rates provided for by legislation.

Income and other taxes

Years ended December 31 (in millions of dollars, unless otherwise indicated)

	1999		1998	
Net income for the year	**83.4**		69.7	
Income and other taxes	**37.3**		31.8	
Net income before income and other taxes	**120.7**		101.5	
Provision based on the combined rate	**49.0**	40.6%	40.2	39.6%
Future income taxes	**4.8**		9.2	
Income and other taxes payable	**32.5**		22.6	
Total income and other taxes and effective rate	**37.3**	30.9%	31.8	31.3%

1999 compared with 1998

The total 1999 income tax expense is $5.5 million higher than in 1998, attributable to higher levels of capital and net income before income taxes than in 1998 and a decrease attributable to higher non-taxable income items, which resulted in a slight decrease in the average effective rate of income and other taxes. The increase in income taxes payable is primarily attributable to the large increase in taxable capital and the decrease in future income taxes is attributable to changes in timing differences and the increase in non-taxable income.

MANAGEMENT'S DISCUSSION
AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7. NET INCOME

Net income represents the difference between the total revenues and the total expenses, including income taxes, recorded over the course of a financial year.

Net income and return on equity

Years ended December 31 (in millions of dollars, unless otherwise indicated)

	1999	1998
Net income	**83.4**	69.7
Return on equity	**13.57%**	13.02%

1999 compared with 1998

Net income for 1999 totalled $83.4 million, up $13.7 million or 19.7% from 1998.

Among the items that contributed positively to net income are the $7.3 million gain ($5.3 million after taxes) on the sale of three affiliated companies, the favourable lapse experience and disability experience for individual insurance and the substantial increase in insurance and annuity business primarily due to the Seaboard acquisition.

Factors that negatively affected net income for the period included a higher-than-usual level of group insurance claims and a substantial increase in individual insurance sales that resulted in increased expenses associated with new contracts, which should translate into net income in future years, as the provisions incorporated in the actuarial provisions are no longer required.

8. CASH FLOWS

A life insurer's financial position is dependent on variations in fund entries and disbursements. The main sources of funds are premiums collected under insurance policies and annuity policies in force, proceeds from sale or repayment of investments, income collected on the investment portfolio and other income made up principally of management fees for segregated funds. Company funds are primarily used for claims paid under policies including annuities and cash surrender values, the purchase of new investments, mortgage loans granted, net transfer from the general fund to segregated funds, payment of dividends to policyowners and payment of operating expenses, including taxes and income taxes.

The following table summarizes the changes in the Company's consolidated cash flows.

Cash flows

Years ended December 31 (in millions of dollars)

	1999	1998
Net inflow (outflow) of cash related to the following activities:		
Operating	**342.3**	257.4
Investing	**(506.2)**	(74.8)
Financing	**154.9**	(1.9)
Increase (decrease) in cash	**(9.0)**	180.7
Cash position at the beginning of the period	**328.7**	148.0
Cash position at the end of the period	**319.7**	328.7

1999 compared with 1998

Operating activities for 1999 reflect a net cash inflow of $342.3 million, compared with a net inflow of $257.4 million in 1998. This increase was achieved despite the high level of claims in the group insurance line of business and is principally due to lower demand for transfers from the general fund to segregated funds, to a significant increase in insurance premiums and investment income and to the addition of Seaboard's operations.

For investment operations, net cash outflow was $431.4 million higher than 1998. Of this increase, $160.4 million represents the net cash outflow resulting from the acquisition price of Seaboard less the proceeds of the sale of two affiliated companies. The balance of the variation is principally marked by a decrease in investments in equity and an increase in investments in bonds and mortgage loan securities.

Because of the acquisition of Seaboard, a $75 million subordinated debenture and $75 million of preferred securities were issued during 1999. This explains the difference observed under "Financing."

9. LIQUIDITY AND CASH RESOURCES

In February 1999, the Company issued a $75 million subordinated debenture and $75 million of participating preferred securities. It issued these financial instruments to increase its capital. As at December 31, 1999, the Company had operating lines of credit totalling $80.5 million, of which up to $6 million is a revolving loan repayable on maturity. As at December 31, 1999, none of these lines of credit were used. The purpose of the lines of credit is to finance its operations and working capital requirements.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31 1999 AND 1998

Management's report

The consolidated financial statements of Industrial-Alliance Life Insurance Company are the responsibility of the Company's Management. These statements have been prepared in accordance with generally accepted accounting principles in Canada and, in certain cases, contain amounts based on best judgement and estimates. The financial information presented elsewhere in this annual report complies with the information contained in the financial statements, which have been approved by the Board of Directors.

In order to carry out its responsibilities with regard to the financial statements, Management maintains internal control systems that aim to provide a reasonable degree of certainty that transactions are duly authorized, that the assets are well protected, and that adequate records are kept. These internal control systems are reinforced by the work of a team of internal auditors, who make a periodic review of all departments within the Company.

The appointed actuary is appointed by the Board of Directors in accordance with An Act respecting insurance (Quebec), and is responsible for valuating actuarial liabilities in accordance with the standards of practice of the Canadian Institute of Actuaries. Moreover, independent auditors appointed by the policyowners ensure the accuracy of the information presented in the financial statements, and express their opinion on these statements.

At regular intervals, auditing is performed by the Inspector General of Financial Institutions to ascertain whether the terms of the law concerning policyowners' interest and the preservation of a sound financial position are respected.

The Board of Directors' Audit Committee, comprised solely of board members who are neither managers nor employees of the Company, ensures that Management assumes its responsibility in terms of financial information. This committee meets regularly with Management and the internal and external auditors. The latter may, as they see fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

On behalf of Management,

Raymond Garneau

Raymond Garneau
Chairman of the Board and Chief Executive Officer

Québec, February 15, 2000

SUMMARY

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CONSOLIDATED INCOME

Years ended December 31 (in thousands of dollars)

	1999 $	1998 $
REVENUES		
Insurance and annuity premiums (note 4)	**2,009,180**	1,788,182
Investment income (note 5)	**733,124**	597,017
Fees and other	**67,961**	49,095
	2,810,265	2,434,294
OPERATING EXPENSES		
Increase in provisions for future policy benefits	**463,467**	270,855
Policy benefits in process of payment and claims incurred	**1,199,642**	1,047,711
Net transfer to segregated funds	**527,155**	637,095
Interest on amounts on deposit	**13,434**	11,492
Experience refunds	**9,016**	17,196
Commissions	**226,332**	156,395
Premium taxes	**20,562**	16,315
General expenses	**189,854**	145,635
Net financing expenses	**16,626**	6,347
	2,666,088	2,309,041
Net income before unusual items, income taxes, and dividends to policyowners	**144,177**	125,253
Unusual items (note 6)	**7,332**	-
Income taxes (note 7)	**(37,324)**	(31,839)
Net income before dividends to policyowners	**114,185**	93,414
Dividends to policyowners	**30,833**	23,667
Net income for the year	**83,352**	69,747

CONSOLIDATED SURPLUS

Years ended December 31 (in thousands of dollars)

	1999 $	1998 $
Balance at beginning	**570,566**	498,403
Impact of implementation of the future income taxes method (note 3)	**-**	2,416
Net income for the year	**83,352**	69,747
Dividends on preferred equity securities	**(655)**	-
Conversion expenses	**(5,442)**	-
Balance at end (note 8)	**647,821**	570,566

CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands of dollars)

	1999 $	1998 $
ASSETS		
INVESTMENTS		
Bonds (notes 9 and 11)	**4,436,236**	3,740,170
Stocks and equity indices (note 9)	**645,629**	399,203
Mortgage loans (notes 9 and 12)	**3,347,998**	2,833,308
Real estate (notes 9 and 13)	**392,594**	323,716
Policy loans	**119,485**	119,981
Short-term investments and cash	**330,583**	347,083
Investment fund (note 14)	**60,818**	64,512
	9,333,343	7,827,973
OTHER ASSETS		
Investment income receivable	**91,130**	79,660
Fixed assets (note 15)	**32,755**	29,755
Amounts receivable	**119,516**	93,985
Goodwill	**49,123**	25,046
Miscellaneous (note 16)	**36,640**	28,886
	329,164	257,332
General funds assets	**9,662,507**	8,085,305
Segregated funds assets	**3,388,308**	2,540,635
Total assets	**13,050,815**	10,625,940
LIABILITIES		
ACTUARIAL LIABILITIES (note 17)		
Provisions for future policy benefits	**7,701,397**	6,508,987
Provisions for dividends to policyowners and experience refunds	**33,233**	41,256
Provisions for policy benefits in process of payment	**88,306**	47,941
Premiums paid in advance and amounts on deposit	**202,119**	179,574
	8,025,055	6,777,758
OTHER LIABILITIES		
Unearned premiums	**5,188**	31,946
Other contractual liabilities	**8,269**	17,723
Mortgage debt (note 18)	**38,707**	33,122
Accounts payable	**136,036**	99,410
Bank overdraft and loan	**10,859**	18,420
Future income tax liability (note 7)	**143,490**	95,153
Miscellaneous	**21,754**	15,951
	364,303	311,725
DEFERRED CREDITS (note 19)	**360,261**	302,576
SUBORDINATED DEBENTURES (note 20)	**185,000**	110,000
EQUITY		
Currency translation account	**5,067**	12,680
Preferred equity securities (note 21)	**75,000**	-
Surplus (note 8)	**647,821**	570,566
	727,888	583,246
General funds liabilities and equity	**9,662,507**	8,085,305
Segregated funds liabilities	**3,388,308**	2,540,635
Total liabilities and equity	**13,050,815**	10,625,940

On behalf of the Board:
Raymond Garneau, Director
Guy Savard, Director

CONSOLIDATED CASH FLOWS

Years ended December 31 (in thousands of dollars)

	1999 $	1998 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income for the year	83,352	69,747
Gain on business disposal	(7,332)	-
Items not affecting cash and cash equivalents		
Increase in policy liabilities	467,901	276,943
Net gain on sale of investments and increase in value accounted for	(177,977)	(125,434)
Future income taxes	4,770	9,247
Other	1,325	7,259
	372,039	237,762
Changes in non-cash operating working capital items	(29,744)	19,662
	342,295	257,424
INVESTING		
Business acquisition including subordinated debentures	(256,764)	-
Net proceeds on business disposal	26,500	-
Cash resulting from acquisition and disposition of business	69,848	-
Net disposition (acquisition) of bonds	(293,915)	143,161
Net sale (acquisition) of stocks and equity indices	72,728	(102,621)
Net increase in mortgage loans	(94,668)	(99,501)
Net addition to real estate and fixed assets	(27,476)	(11,065)
Disposal of ownership interest in affiliated companies	-	600
Net increase in policy loans	(2,417)	(5,405)
	(506,164)	(74,831)
FINANCING		
Issue of preferred equity securities	75,000	-
Dividend on preferred equity securities	(655)	-
Increase (decrease) in mortgage debt	5,585	(1,884)
Issue of a subordinated debenture	75,000	-
	154,930	(1,884)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,939)	180,709
CASH AND CASH EQUIVALENTS AT BEGINNING	328,663	147,954
CASH AND CASH EQUIVALENTS AT END	319,724	328,663

Cash and cash equivalents are made up of short-term investments and cash less bank overdraft and loan.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

1. STATUS AND NATURE OF ACTIVITIES

The company, a mutual life insurance company incorporated under An Act respecting insurance (Québec), constitutes, with its subsidiaries (the "Group"), a group of companies engaged mainly in the development, commercialization and distribution of insurance and annuity products. The operations of the life insurance line of business extend throughout Canada, and certain regions in the western United States, while the general insurance operations are concentrated in Quebec.

2. ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and maintain principles particular to each of the entities included in the consolidation, namely:

- life insurance companies;
- general insurance companies.

These principles are as follows:

Consolidation principles

Ownership interest, other than portfolio investments in common and preferred stocks, are recorded using the following methods:

- the accounts of the subsidiaries are consolidated;
- the accounts of the joint ventures are consolidated on a proportionate basis.

Matching of assets to liabilities

To properly manage the risks of interest rate fluctuations and fund availability, the Company maintains a system to match its assets to its actuarial liabilities and long-term debt, hedges its liabilities until they expire and uses derivative products as complementary management tools. Consequently, assets are chosen on the basis of amount, cash flow and return in order to correspond to the characteristics of the hedged liabilities. The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position. Therefore, any change in market value of the asset held for hedging purposes will have little impact on the financial position of the Company and on its ability to honour its obligations. Finally, in the evaluation of its actuarial liabilities, as described in note 17 below, the Company takes into account the level of matching reached between assets and liabilities.

Credit risk

The Company maintains provisions for credit losses, including losses of principal and interest on bonds, mortgage loans and real estate acquired by foreclosure. Provisions for credit losses consist of specific provisions for loans and debt considered to be impaired and a general provision for other future potential credit losses.

The carrying value of loans and debt securities considered by the Company to be impaired is reduced by specific provisions to the value estimated to be realizable in the normal course of operations. A loan is considered to be impaired, when if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is assumed to be impaired. In addition, the Company considers other factors in determining if a loan is impaired including the overall credit quality of the borrower and the fair value of the property given as security.

A general provision, included as a component of actuarial liabilities, is made for other potential future losses on loans and debt securities.

Bonds

Bonds are recorded at cost, adjusted for amortization of premiums and discounts and a provision for contingent losses.

Gains and losses realized on the sale of such securities by the life insurance companies are deferred and gradually amortized to income over the remaining term of the securities sold, up to a maximum of 20 years. Gains and losses on securities held by other companies in the Group are recorded directly in the income statement. Permanent declines in value are taken into account when recognized and are charged to operations of that year.

Stocks and equity indices

Stocks and equity indices held in the life insurance companies' portfolios include increases or decreases in value under the moving average market value method using a 15% annual rate. Realized gains and losses on the sale of such stocks are deferred and amortized to income using the diminishing balance method at the annual rate of 15%.

Stocks held to cover certain specific commitments are recorded at market value and any variation is recorded directly in the income statement.

Stocks held by other companies in the Group are recorded at cost; gains and losses realized on the sale of such stocks are recorded directly in the income statement.

Mortgage loans

Mortgage loans are presented at the amount of the principal balance receivable net of a provision for contingent losses and unamortized premiums and discounts. Restructured mortgage loans are also adjusted for unamortized discounts representing interest concessions.

Realized gains and losses on the sale of such loans by the life insurance companies are deferred and gradually amortized to income over the remaining life of the loans sold. Those realized by other companies in the Group are recorded directly in the income statement.

Real estate

The value of real estate held as an investment by the life insurance companies is based on market value, which is determined every three years. The increase or decrease in value is recognized using the moving average market value method using a 10% annual rate.

Gains and losses realized on the sale of these investments are deferred and amortized to income using the diminishing balance method at the annual rate of 10%.

Real estate acquired as settlement of loans is recorded at the lower estimated net realizable value and the outstanding balance of the loan. Realized gains and losses on the sale of these investments are charged directly in the income statement.

Real estate held by other companies in the Group is recorded at cost.

Policy loans

Policy loans are recorded at the amount of the outstanding balance and are fully covered by the cash surrender value of insurance policies.

Investment fund

The investment fund consists of accrued revenues, receivables from decline in value and investment securities used as the main basis to calculate variable interest on the subordinated debenture of $60,000. Investment securities are recorded at market value. Any increase or decrease in value and gains and losses realized on the sale of such securities are applied directly to operations for the year in which they occur.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

2. ACCOUNTING POLICIES (continued)

Fixed assets

Fixed assets, consisting mainly of leasehold improvements to real estate held for investment purposes and office furniture and equipment, are recorded at historical cost less accumulated depreciation and amortization. They are principally depreciated under the straight-line method over their estimated useful lives or the original term of their related lease agreements.

Goodwill

Goodwill is represented by the excess cost of the subsidiaries' stocks over the book value of the net assets acquired and is amortized using the straight-line method over periods not exceeding 20 years. Goodwill is written down to its fair value when there has been a permanent decline in value based on forecast investment returns.

Segregated funds

Funds from certain group or individual pension plans issued by the life insurance companies are invested in separate portfolios at the option of the policyholder. The total value of these additional assets, managed by the Company but not included in the general funds, is recorded at market value.

Provisions for future policy benefits

Provisions for future policy benefits represent the amount which, together with future premiums and investment income, provide for all commitments under contracts in force. These provisions are established using the policy premium method.

These provisions are calculated based on assumptions that are regularly tested and, if need be, modified to reflect changes in plan experience.

Contingent liabilities

In the ordinary course of business, the Company has a number of outstanding lawsuits. The relative aggregate liability, expected as presenting no adverse important effect on the consolidated financial position of the Company, is taken into account at the conclusion of the concerned cases.

Income taxes

The Company uses the future income taxes method according to which the income taxes related to its operations are entered during the year in which these operations were recorded for accounting purposes, regardless of when they are taken into account for tax purposes. The tax rate used to evaluate the future income tax assets or liabilities corresponds to the rate in effect on the balance sheet dates.

In addition to income taxes, charges to operations include the tax on capital imposed on financial institutions, the large corporations tax and the investment income tax. As a result, the charge to the income statement differs from the charge that would otherwise be obtained at statutory rates.

Foreign currencies

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate while revenues and expenses are translated at the rate of exchange in effect on the dates when they occur. Gains and losses resulting from translation of balance sheet items related to activities maintained outside Canada are recorded in the Currency translation account, a component of equity, whereas those related to operations are included in the statement of income.

Insurance and annuity premiums

Insurance premiums are made up of the amounts received on contracts in force less the share ceded to reinsurers for insuring a part of the risk. Annuity premiums represent the total amounts received on annuity policies in force.

Investment income

Investment income is shown net of related expenses.

Net transfer to segregated funds

Net transfer to segregated funds represents the total amount transferred from the general funds to segregated funds less the total amount transferred from the segregated funds to the general funds.

Pension plans

The Company maintains several retirement plans, including defined benefit and defined contribution plans, for its employees. Pension costs related to current service are charged to income as services are rendered. Variations between plan experience and actuarial estimates as well as past service costs, if any, are amortized to income over the estimated average remaining service lives of the employee groups covered by the plan.

Cash flow

In accordance with the new recommendations by the Canadian Institute of Chartered Accountants, the Company is presenting information on the cash flows by replacing the statement of changes in the financial position. Under the new recommendations, the non-cash transactions are excluded from the statement of cash flows. Cash equivalents are limited to investments that are easily convertible into a known cash amount whose value does not risk changing significantly and whose original maturity is generally three months or less. The adoption of the new standards had no impact on the previous year's cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

3. CHANGE IN ACCOUNTING POLICIES

During the year 1998, the Company adopted the liability method in order to comply with the new CICA requirements concerning income taxes, the major impact being the presentation of a future tax asset or liability item. This change in accounting policy has been applied retroactively with no restatement of prior years' financial statements. As a result of this change, at the beginning of the year 1998, future income tax liabilities of $88,892 were recorded, offset by a $91,308 reduction in actuarial liabilities and a $2,416 increase in the surplus.

4. INSURANCE AND ANNUITY PREMIUMS

	1999	1998
	$	$
Total premiums		
Insurance	**864,753**	623,523
Annuities	**1,113,572**	1,112,191
General insurance	**30,855**	52,468
	2,009,180	1,788,182

5. INVESTMENT INCOME

	1999	1998
	$	$
Bonds	**317,307**	291,799
Mortgage loans	**248,749**	219,714
Real estate	**20,131**	13,631
Stocks and equity indices	**19,415**	12,701
Short-term investments	**19,782**	9,027
Increase in market value	**51,749**	13,044
Amortization of deferred gains	**54,322**	44,903
Other	**19,539**	6,173
	750,994	610,992
Provision for credit losses	**(321)**	(1,114)
Investment charges	**(17,549)**	(12,861)
	733,124	597,017

6. UNUSUAL ITEMS

In 1999, the Company and its Unindal Inc. subsidiary, entered into agreements in principle providing for the respective sales of North West Life Assurance Company of America and the Canadian Union Insurance Company, as well as the Equitable General Insurance Company. The terms and conditions of the agreement to sell the general insurance companies have been finalized while those concerning the sale of the U.S. subsidiary have to be more specifically formulated and approved by the regulatory authorities. The accounting of these transactions results in a $7,332 gain posted under unusual items and a $1,999 related income tax charge included among the income taxes for the year. In addition, the balance sheet presents an amount receivable of $26,334 as the balance of the Company's share in the sale price of these companies.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

7. INCOME TAXES

Income taxes charged to the statement of income reflect a lower effective tax rate than combined federal and provincial tax rate due to the following items:

	1999 $	1998 $
Provision based on the combined rate	**48,978**	40,228
Non-taxable income	**(24,998)**	(13,217)
Tax benefit on loss already sustained	**-**	(6,918)
Investment income tax	**8,287**	6,750
Large corporations and financial institutions taxes	**5,057**	4,996
	37,324	31,839

Total taxes charged to operations are divided as follows:

Future income taxes	**4,770**	9,247
Income taxes payable	**32,554**	22,592
	37,324	31,839

The future tax liability presented on the balance sheet is related to the temporary differences on the principal following items:

Actuarial liabilities	**118,523**	96,300
Real estate	**46,741**	42,051
Stocks and other	**(21,774)**	(43,198)
	143,490	95,153

8. SURPLUS

To conform to Quebec statutory requirements with respect to provisions for future policy benefits, an amount of $138,907 ($123,740 in 1998) of the accumulated surplus is appropriated.

9. INVESTMENTS

	1999 $	1998 $
Book value		
Bonds	**4,436,236**	3,740,170
Stocks and equity indices	**645,629**	399,203
Mortgage loans	**3,347,998**	2,833,308
Real estate held as an investment	**372,899**	286,325
Real estate acquired to settle loans	**19,695**	37,391
	8,822,457	7,296,397
Market value		
Bonds	**4,789,852**	4,572,322
Stocks and equity indices	**693,336**	407,538
Mortgage loans	**3,318,417**	2,933,821
Real estate held as an investment	**400,502**	295,994
Real estate acquired to settle loans	**20,608**	42,012
	9,222,715	8,251,687

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

10. NON-PERFORMING ASSETS AND PROVISIONS FOR CREDIT LOSSES

Non-performing assets

Bonds and mortgage loans three or more months in arrears, as well as restructured loans and other investment securities in default are considered to be non-performing assets. These investments, net of related provisions, are as follows:

	1999 **$**	1998 $
Bonds	**59**	8,517
Conventional mortgage loans	**4,095**	15,610
Real estate acquired to settle loans	**19,695**	37,391
	23,849	61,518

Provision for credit losses

Total provisions, including impairments in value of restructured loans, are as follows:

	1999 **$**	1998 $
Bonds	**110**	2,995
Conventional mortgage loans	**1,980**	2,012
Real estate acquired to settle loans	**7,570**	14,893
Other	**4,414**	2,250
	14,074	22,150

11. BONDS

Breakdown of bonds by credit rating and category of issuer:

	1999 **$**	1998 $
Credit rating		
A and higher	**4,102,500**	3,426,792
BBB	**329,760**	303,812
BB and lower	**3,976**	9,566
	4,436,236	3,740,170
Category of issuer		
Governments or guaranteed by them	**2,401,051**	2,166,212
Municipalities	**72,780**	81,898
Corporations	**1,962,405**	1,492,060
	4,436,236	3,740,170

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

12. MORTGAGE LOANS

Breakdown of mortgage loans by category and type of property:

	1999 $	1998 $
Insured mortgages		
Residential	**363,779**	320,031
Multi-residential	**959,133**	848,227
Commercial	**6,302**	6,826
	1,329,214	1,175,084
Conventional mortgages		
Residential	**177,656**	191,321
Multi-residential	**946,403**	807,012
Commercial	**894,725**	659,891
	2,018,784	1,658,224
	3,347,998	2,833,308

13. REAL ESTATE

Breakdown of real estate by category and type of property:

	1999 $	1998 $
Real estate held as an investment		
Office	**249,457**	213,278
Retail	**74,757**	53,438
Residential	**20,674**	1,048
Industrial	**13,230**	3,099
Land	**14,781**	15,300
Other	**-**	162
	372,899	286,325
Real estate acquired to settle loans		
Residential	**1,518**	2,367
Multi-residential	**7,868**	11,727
Commercial	**10,309**	23,297
	19,695	37,391
	392,594	323,716

14. INVESTMENT FUND

	1999 $	1998 $
Investment securities (at market value)	**36,500**	64,252
Account receivable and accrued revenue	**24,318**	260
	60,818	64,512

15. FIXED ASSETS

	Cost	Accumulated depreciation	Net value 1999	Net value 1998
	$	$	**$**	$
Leasehold improvements	30,694	16,487	**14,207**	12,402
Furniture and equipment	55,170	36,622	**18,548**	17,353
	85,864	53,109	**32,755**	29,755

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

16. MISCELLANEOUS ASSETS

	1999 $	1998 $
Deferred expenses	**15,365**	12,345
Deferred pension cost	**13,915**	12,089
Other	**7,360**	4,452
	36,640	28,886

17. ACTUARIAL LIABILITIES

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries.

The composition of the Company's actuarial liabilities and the corresponding assets are as follows:

1999

	INDIVIDUAL		GROUP		
	Life and Health	Annuities	Life and Health	Annuities	Total
Actuarial liabilities	$	$	$	$	$
Canada	2,185,413	1,778,372	610,979	3,097,631	7,672,395
Outside Canada	127,873	222,892	92	1,803	352,660
Total	**2,313,286**	**2,001,264**	**611,071**	**3,099,434**	**8,025,055**
Assets backing liabilities					
Bonds and other fixed-interest securities	1,419,751	774,112	287,406	1,800,092	4,281,361
Mortgages	399,942	1,155,018	277,281	1,117,291	2,949,532
Stocks and equity indices	335,496	27,011	46,026	48,080	456,613
Real estate	60,669	21,359	248	132,004	214,280
Policy loans	97,300	22,850	18	-	120,168
Other	128	914	92	1,967	3,101
Total	**2,313,286**	**2,001,264**	**611,071**	**3,099,434**	**8,025,055**

1998

	INDIVIDUAL		GROUP		
	Life and Health	Annuities	Life and Health	Annuities	Total
Actuarial liabilities	$	$	$	$	$
Canada	1,656,160	1,477,280	512,599	2 727,189	6,373,228
Outside Canada	141,092	261,840	32	1,566	404,530
Total	**1,797,252**	**1,739,120**	**512,631**	**2,728,755**	**6,777,758**
Assets backing liabilities					
Bonds and other fixed-interest securities	1,141,971	674,231	238,815	1,557,396	3,612,413
Mortgages	355,383	1,001,857	272,183	1,010,714	2,640,137
Stocks and equity indices	158,284	9,553	445	43,633	211,915
Real estate	52,593	20,344	1,071	114,686	188,694
Policy loans	88,927	32,235	18	-	121,180
Other	94	900	99	2,326	3,419
Total	**1,797,252**	**1,739,120**	**512,631**	**2,728,755**	**6,777,758**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

17. ACTUARIAL LIABILITIES (continued)

The market value of assets backing liabilities represents some $8.4 billion as at December 31, 1999 ($7.6 billion in 1998). This value cannot be compared to the amount of actuarial liabilities since this amount would also increase if the said actuarial liabilities were evaluated on a market value basis.

Assumptions

Assumptions used in the computation of actuarial liabilities are based on the actuary's best estimate with respect to mortality, morbidity, lapse, investment returns, operating expenses, inflation, dividends to policyowners and income taxes. These assumptions cover the lifetime of the policies being valued.

The following methods were used to establish the most significant assumptions:

Mortality

With respect to individual life insurance, the mortality rates are based on the Company's experience of the last few years.

The assumption used with respect to annuities is based on a combination of the Company's most recent experience and the industry's recent experience published by the Canadian Institute of Actuaries. Moreover, the assumption used incorporates a gradual improvement in the future level of mortality.

Morbidity

The assumption is based on the results obtained by the Company and the industry over long periods.

Return on investments

The Company maintains assets that cover the actuarial liabilities. The cash flows from these assets invested at rates established according to the expected returns from the financial markets and the Company's investment policy allow us to estimate future investment income.

The Company's financial position may be affected by the level of interest rates. If the cash flows cannot be invested at a sufficient rate, the Company's future profitability could be affected. If the cash flows resulting from assets supporting the liabilities do not match the timing and amount of the policy obligations, the Company may be obligated to liquidate certain assets.

As is indicated in the Matching of assets to the liabilities section in note 2, the Company maintains a strict matching of its assets with its actuarial liabilities to reduce the risk of interest rate fluctuations. Consequently, for all securities matched to the liabilities, the difference in duration was 0.16 year as at December 31, 1999 (0.06 year in 1998).

Moreover, the calculation of the return on investments was determined by incorporating a credit risk assumption, with respect to assets, which is in line with our recent experience.

To improve the return on very long-term investments, the Company has chosen to diversify them according to the various asset classes. Also, additional equity will be purchased to back a portion of the long-term actuarial liabilities. Currently, the amount of this equity investment represents less than 2% of the Company's total actuarial liabilities.

Income taxes

The actuarial liabilities were established to be coherent with the use of the liability method. Accordingly, actuarial liabilities are reduced by an amount of $72,800 ($30,391 in 1998) to reflect the investment income related to assets held to offset future income tax liabilities.

Expenses

Policy maintenance expenses were calculated using internal studies of the distribution of the Company's expected costs for the current year, with inflation adjustment for future years.

Lapses

Expected lapse rate assumptions for individual insurance are based on results from the Company's annual lapse experience studies.

With respect to lapse-supported products, the lapse assumptions are consistent with the Canadian Institute of Actuaries' minimum standards with respect to this category of policies.

Provision for adverse deviation

A provision for adverse deviation has been added to each of the assumptions to recognize the uncertainty surrounding the establishment of best estimates, to take into account the possible deterioration of the experience and to provide better assurance that the actuarial liabilities will be sufficient enough to pay future benefits.

Reinsurance

In the normal course of business, the Company uses reinsurance to limit its risk on every life insured. For Industrial-Alliance, the risk is generally limited to $500, National Life to $400 ($100 for policies sold in 1999) and North West of Canada to $500 (US$ 250 for US business). The Company also has reinsurance agreements covering the financial losses arising from multiple claims due to catastrophic events affecting several lives insured.

CHANGES IN ACTUARIAL LIABILITIES

	1999 **$**	1998 $
Actuarial liabilities at the beginning of the year	**6,777,758**	6,555,272
Increase resulting from business acquisition	**829,738**	-
Reduction due to business disposal	**(47,032)**	-
Impact of implementation of liability tax method	**-**	(91,308)
Impact of the changes in assumptions	**2,121**	2,306
Normal changes	**480,004**	289,563
Foreign currency translation	**(17,534)**	21,925
Actuarial liabilities at the end of the year	**8,025,055**	6,777,758

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

18. MORTGAGE DEBT

	1999 $	1998 $
Mortgage loans, at various rates up to 11.375%, repayable through to 2002	**38,707**	33,122

19. DEFERRED CREDITS

Deferred credits represent the unamortized portion of gains and losses realized on the sale of real estate and investment securities. These deferred credits are divided as follows:

	1999 $	1998 $
Related to actuarial liabilities		
Bonds	**254,911**	187,132
Stocks and equity indices	**16,406**	16,259
Mortgage loans	**8,731**	10,030
Real estate	**8,947**	11,375
	288,995	224,796
Related to equity		
Bonds	**28,390**	30,164
Stocks and equity indices	**42,185**	46,951
Mortgage loans	**44**	55
Real estate	**647**	610
	71,266	77,780
	360,261	302,576

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

20. SUBORDINATED DEBENTURES

	1999 $	1998 $
Subordinated debenture bearing basic interest of 1.25% (1.75% in 1998) and variable interest tied primarily to the return on the investment fund, redeemable at the option of the Company beginning in February 2004 or repayable on maturity in 2010	**60,000**	60,000
Series 2 subordinated debenture, bearing interest of 8.40%, redeemable at the option of the Company beginning in June 2001 or repayable on maturity in 2006	**50,000**	50,000
Series 3 subordinated debenture, bearing basic interest of 6.25% plus variable interest of no more than 5.25% under certain conditions redeemable at the option of the Company beginning in February 2004 or repayable on maturity in 2010	**75,000**	-
	185,000	110,000

21. PREFERRED EQUITY SECURITIES

Authorized

On December 18, 1998, the Company obtained supplementary letters patent providing for the cancellation of class A and B preferred securities at $10 per security and the creation of 8,000,000 preferred equity securities at $25 per security issuable in series, subject to obtaining additional supplementary letters patent.

On February 8, 1999, the Company obtained supplementary letters patent providing for the creation of the first series of series 1 class B preferred securities, with a non-cumulative dividend of 1% for 5 years, to be subsequently revised at a rate that will be based on market prices. These preferred securities are, under certain circumstances, redeemable or convertible into common shares at the issuer's option, under certain conditions including, in some cases, authorization by the Inspector General of Financial Institutions. Moreover, the holder of the preferred securities will be entitled, in certain circumstances, on or after the sixth anniversary of the issue date of the preferred securities, to the payment of a redemption premium to reflect, if applicable, the excess of the market value over the par value.

	1999 $	1998 $
Issued and outstanding		
3,000,000 preferred securities, class B with non cumulative dividend, series 1	**75,000**	-

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

22. ACQUISITION OF BUSINESS

On January 6, 1999, the Company entered into an agreement, effective January 1, 1999, to acquire the Canadian business of Seaboard, a life insurance company. This acquisition, at a purchase price of $201,764, in cash, resulted in the recording of $32,316 in goodwill.

This amalgamation is accounted for under the purchase method, so that the value of certain assets acquired and liabilities assumed are revised according to the cost determined by the Company. The assets acquired and liabilities assumed by the purchaser are as follows:

	1999 $
Assets acquired	
Bonds	**287,732**
Mortgage loans	**439,331**
Stocks	**256,083**
Real estate	**51,892**
Other investments	**93,008**
Other assets	**34,991**
	1,163,037
Liabilities assumed	
Actuarial liabilities	**829,816**
Other liabilities	**75,033**
Deferred credits	**33,740**
Subordinated debentures	**55,000**
	993,589
Net assets acquired	**169,448**
Goodwill	**32,316**
Purchase price	**201,764**

23. PENSION PLANS

According to the actuarial valuations updated at the end of each year, the financial position of the pension plans is as follows:

	1999 $	1998 $
Present value of accrued pension benefits	**142,050**	137,182
Market value of net pension fund assets	**198,938**	193,314

In August 1999, the Company declared that it was upgrading the benefits of its pension plans effective January 1, 2000.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

24. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

As indicated in the Matching of assets to liabilities section in Note 2 and in the normal course of managing exposure to fluctuations in interest rates and market values, the Company is an end user of derivative financial instruments.

The following table summarizes the Company's derivative portfolio, the fair value and related credit exposure.

	As at December 31, 1999			
	Equity contracts	Forward rate agreements	Interest rate futures	Total contracts
Notional amount by term to maturity	$	$	$	**$**
Less than 1 year	169,420	4,893	19,247	**193,560**
1 to 5 years	20,206	5,054	40,355	**65,615**
Over 5 years	-	29,892	-	**29,892**
Total	**189,626**	**39,839**	**59,602**	**289,067**
Fair value	**10,023**	**(1,326)**	**(559)**	**8,138**
Credit exposure risk				
Maximum credit risk	10,901	657	-	**11,558**
Potential future credit exposure	11,377	1,824	202	**13,403**
Credit equivalent amount	**22,278**	**2,481**	**202**	**24,961**

	As at December 31, 1998			
	Equity contracts	Forward rate agreements	Interest rate futures	Total contracts
Notional amount by term to maturity	$	$	$	$
Less than 1 year	24,941	-	-	24,941
1 to 5 years	-	-	-	-
Over 5 years	-	12,920	-	12,920
Total	24,941	12,920	-	37,861
Fair value	406	(1,655)	-	(1,249)
Credit exposure risk				
Maximum credit risk	446	-	-	446
Potential future credit exposure	1,496	969	-	2,465
Credit equivalent amount	1,942	969	-	2,911

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing all derivative contracts which have a positive value, should the counterparty default. Potential future credit exposure quantifies the potential for future losses which may result from future movement in market rates. The Company's exposure at each balance sheet date is limited to the risk that a counterparty does not honour the terms of a derivative contract, and the Company applies the same criteria in selecting counterparties as it does for investing in bonds. As at December 31, 1999 and 1998, all counterparties have a credit rating of 'A' or higher.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

25. SEGMENTED INFORMATION

SEGMENTED INCOME

1999

	INDIVIDUAL		GROUP		Other	
	Life and Health	Annuities	Life and Health	Annuities	activities*	Total
	$	$	$	$	$	**$**
REVENUES						
Premium income	534,632	477,287	330,360	636,285	30,616	**2,009,180**
Investment income	239,431	189,465	52,938	243,288	8,002	**733,124**
Fees and other	131	53,670	2,007	2,634	9,519	**67,961**
	774,194	720,422	385,305	882,207	48,137	**2,810,265**
OPERATING EXPENSES						
Cost of commitments to policyowners	491,482	122,866	270,733	806,157	25,154	**1,716,392**
Net transfer to segregated funds	-	498,430	-	28,725	-	**527,155**
Commissions, general and other expenses	235,416	62,650	117,426	19,993	17,889	**453,374**
	726,898	683,946	388,159	854,875	43,043	**2,696,921**
Net income before unusual items and income taxes	47,296	36,476	(2,854)	27,332	5,094	**113,344**
Unusual items	909	239	99	280	5,805	**7,332**
Income taxes	(11,219)	(11,821)	90	(7,680)	(6,694)	**(37,324)**
Net income	**36,986**	**24,894**	**(2,665)**	**19,932**	**4,205**	**83,352**

1998

	INDIVIDUAL		GROUP		Other	
	Life and Health	Annuities	Life and Health	Annuities	activities*	Total
	$	$	$	$	$	$
REVENUES						
Premium income	416,296	502,544	207,476	609,647	52,219	1,788,182
Investment income	171,123	162,853	42,503	218,442	2,096	597,017
Fees and other	388	36,871	1,183	2,442	8,211	49,095
	587,807	702,268	251,162	830,531	62,526	2,434,294
OPERATING EXPENSES						
Cost of commitments to policyowners	362,230	10,941	194,180	760,786	42,784	1,370,921
Net transfer to segregated funds	-	603,583	-	33,512	-	637,095
Commissions, general and other expenses	179,024	56,804	49,774	16,100	22,990	324,692
	541,254	671,328	243,954	810,398	65,774	2,332,708
Net income before income taxes	46,553	30,940	7,208	20,133	(3,248)	101,586
Income taxes	(19,676)	(9,935)	(2,228)	(5,295)	5,295	(31,839)
Net income	**26,877**	**21,005**	**4,980**	**14,838**	**2,047**	**69,747**

** Includes other segments and intercompany eliminations.*

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

25. SEGMENTED INFORMATION (continued)

SEGMENTED BALANCE SHEETS

1999

	INDIVIDUAL		GROUP		Other	
	Life and Health	Annuities	Life and Health	Annuities	activities*	Total
	$	$	$	$	$	$
ASSETS						
Investments	3,019,247	2,287,782	686,765	3,336,724	2,825	**9,333,343**
Other assets	90,325	30,304	40,382	75,107	93,046	**329,164**
	3,109,572	**2,318,086**	**727,147**	**3,411,831**	**95,871**	**9,662,507**
LIABILITIES AND EQUITY						
Actuarial liabilities	2,313,286	2,001,264	611,071	3,099,434	-	**8,025,055**
Other liabilities	215,409	15,842	19,816	30,565	82,671	**364,303**
Deferred credits	176,211	73,191	12,183	98,889	(213)	**360,261**
Subordinated debentures	40,376	66,751	35,409	42,464	-	**185,000**
Equity	364,290	161,038	48,668	140,479	13,413	**727,888**
	3,109,572	**2,318,086**	**727,147**	**3,411,831**	**95,871**	**9,662,507**

1998

	INDIVIDUAL		GROUP		Other	
	Life and Health	Annuities	Life and Health	Annuities	activities*	Total
	$	$	$	$	$	$
ASSETS						
Investments	2,304,157	1,941,265	567,490	2,990,778	24,283	7,827,973
Other assets	68,875	28,319	34,598	50,795	74,745	257,332
	2,373,032	**1,969,584**	**602,088**	**3,041,573**	**99,028**	**8,085,305**
LIABILITIES AND EQUITY						
Actuarial liabilities	1,797,252	1,739,120	512,631	2,728,755	-	6,777,758
Other liabilities	156,113	15,968	8,958	69,403	61,283	311,725
Deferred credits	142,603	41,352	17,629	101,362	(370)	302,576
Subordinated debentures	-	52,000	24,000	34,000	-	110,000
Equity	277,064	121,144	38,870	108,053	38,115	583,246
	2,373,032	**1,969,584**	**602,088**	**3,041,573**	**99,028**	**8,085,305**

** Includes other segments and intercompany eliminations.*

26. COMPARATIVE FIGURES

For the purpose of comparison with the current year, certain financial data from the preceding year have been restated.

27. SUBSEQUENT EVENT

Following the approval by the members of the Company's conversion proposal, the enactment by the National Assembly of the Act respecting Industrial-Alliance Life Insurance Company and the conclusion of an initial public offering on February 10, 2000, the Company obtained letters patent of conversion changing its status as a mutual insurance company to that of a capital stock insurance company. Accordingly, from and after February 10, 2000, the Company will be owned by shareholders, and its authorized capital will be composed of one hundred (100) million common shares without par value issuable for an aggregate consideration not exceeding one (1) billion dollars and ten (10) million preferred shares having a par value of twenty-five dollars ($25) each.

AUDITORS' AND APPOINTED ACTUARY'S REPORTS

Auditors' report

To the policyowners

We have audited the consolidated balance sheets of Industrial-Alliance Life Insurance Company and the consolidated statements of net assets of its segregated funds as at December 31, 1999 and 1998 and the consolidated statements of income, surplus, cash flows and changes in net assets of the segregated funds for the years then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Industrial-Alliance Life Insurance Company and of its segregated funds as at December 31, 1999 and 1998 and the results of its operations, its cash flows and the changes in net assets of the segregated funds for the years then ended in accordance with generally accepted accounting principles in Canada.

Samson Bélair
Deloitte & Touche, s.e.n.c.

Chartered Accountants

Québec, February 4, 2000
(as at February 10, 2000 for note 27)

Appointed actuary's report

To the policyowners

I have valued the actuarial liabilities of Industrial-Alliance Life Insurance Company for its consolidated balance sheets at December 31, 1999 and 1998 and the variation in the actuarial liabilities in its consolidated statements of income for the years then ended. These valuations were carried out in accordance with accepted actuarial practice, using appropriate assumptions and methods.

In my opinion, the amount of actuarial liabilities makes appropriate provision for all policyowners obligations. The results are also fairly presented in the consolidated financial statements.

Michel Sanschagrin
Fellow of the Canadian Institute of Actuaries

Québec, February 4, 2000

CONSOLIDATED FINANCIAL STATEMENTS

OF THE SEGREGATED FUNDS

CONSOLIDATED STATEMENTS OF NET ASSETS OF THE SEGREGATED FUNDS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

	1999 $	1998 $
ASSETS (at market value)		
Stocks	**1,496,020**	1,060,846
Bonds	**809,694**	776,488
Investment funds	**781,368**	467,976
Mortgage loans and securities	**61,246**	51,988
Short-term investments and cash	**211,856**	160,283
Accounts receivable	**15,552**	11,868
Investment income due and accrued	**12,572**	11,186
	3,388,308	2,540,635
LIABILITIES		
Accounts payable	**6,013**	6,109
Net assets (at market value)	**3,382,295**	2,534,526

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS OF THE SEGREGATED FUNDS

Years ended December 31, 1999 and 1998 (in thousands of dollars)

	1999 $	1998 $
Net value as at January 1	**2,534,526**	2,041,569
Increase resulting from business acquisition	**311,763**	-
Unit issue	**1,119,786**	940,047
Investment income	**118,843**	84,589
Net gain upon realization of investments	**89,814**	88,771
Unrealized capital gain (loss) for the year	**163,059**	(95,963)
	4,337,791	3,059,013
Unit redemption	**893,550**	479,540
Operating expenses	**61,946**	44,947
	955,496	524,487
Net value as at December 31	**3,382,295**	2,534,526

PRO FORMA CONSOLIDATED INCOME

Year ended December 31, 1999 (in thousands of dollars, unless otherwise indicated)

	Actual	Adjustments (note 2)	*Pro forma*
REVENUES	$	$	*$*
Premiums			
Insurance	895,608	-	*895,608*
Annuity	1,113,572	-	*1,113,572*
	2,009,180	-	*2,009,180*
Investment income	733,124	-	*733,124*
Fees and other	67,961	-	*67,961*
	2,810,265	-	*2,810,265*
OPERATING EXPENSES			
Increase in provisions for future policy benefits	463,467	-	*463,467*
Policy benefits in process of payment and claims incurred	1,199,642	-	*1,199,642*
Net transfer to segregated funds	527,155	-	*527,155*
Interest on amounts on deposit	13,434	-	*13,434*
Experience refunds	9,016	-	*9,016*
Commissions	226,332	-	*226,332*
Premium taxes	20,562	-	*20,562*
General expenses	189,854	2,100	*191,954*
Net financing expenses	16,626	-	*16,626*
	2,666,088	2,100	*2,668,188*
Net income before unusual items, income taxes and dividends to policyowners	144,177	(2,100)	*142,077*
Unusual items	7,332	-	*7,332*
Income taxes	(37,324)	789	*(36,535)*
Net income before dividends to policyowners	114,185	(1,311)	*112,874*
Dividends to policyowners	30,833	-	*30,833*
Net income	83,352	(1,311)	*82,041*
Represented by:			
Net income attributable to participating policies	-	7,001	*7,001*
Net income attributable to shareholders	83,352	(8,312)	*75,040*
Earnings per share *	-	-	*$2.12*

** In the event the underwriters exercise the 2.5 million share over-allotment option, the profit per share would be $1.98.*

Pro forma financial statements
Conversion of Industrial-Alliance into a capital stock company

On February 10, 2000, Industrial-Alliance Life Insurance Company became a capital stock company. It was on this date that the closing of the Company's initial public offering took place, the letters patent of conversion were issued and the Company was officially listed on the Toronto Stock Exchange.

For the purposes of illustrating the conversion of Industrial-Alliance, from a mutual company to a capital stock company, pro forma consolidated financial statements have been prepared and are presented hereafter. The pro forma consolidated financial statements are not intended to reflect the financial position or the results of operations that would have actually resulted if the conversion of the Company into a capital stock company had taken place on the dates indicated, nor are they intended to be an indication of future results.

PRO FORMA CONSOLIDATED
BALANCE SHEET

As at December 31, 1999 (in thousands of dollars)

	Actual	Adjustments (note 2)	*Pro forma*
	$	$	$
ASSETS			
INVESTMENTS			
Bonds	4,436,236	-	*4,436,236*
Stocks and equity indices	645,629	-	*645,629*
Mortgage loans	3,347,998	-	*3,347,998*
Real estate	392,594	-	*392,594*
Policy loans	119,485	-	*119,485*
Short-term investments and cash	330,583	-	*330,583*
Investment fund	60,818	-	*60,818*
	9,333,343	-	*9,333,343*
OTHER ASSETS			
Investment income receivable	91,130	-	*91,130*
Fixed assets	32,755	-	*32,755*
Amounts receivable	119,516	-	*119,516*
Goodwill	49,123	-	*49,123*
Miscellaneous	36,640	-	*36,640*
	329,164	-	*329,164*
General fund assets	9,662,507	-	*9,662,507*
Segregated funds assets	3,388,308	-	*3,388,308*
Total assets	13,050,815	-	*13,050,815*
LIABILITIES			
ACTUARIAL LIABILITIES			
Provision for future policy benefits	7,701,397	-	*7,701,397*
Provisions for dividends to policyowners and experience refunds	33,233	-	*33,233*
Provisions for policy benefits in process of payment	88,306	-	*88,306*
Premiums paid in advance and amounts on deposit	202,119	-	*202,119*
	8,025,055	-	*8,025,055*
OTHER LIABILITIES			
Unearned premiums	5,188	-	*5,188*
Other contractual liabilities	2,386	-	*2,386*
Mortgage debt	38,707	-	*38,707*
Accounts payable	136,036	22,333	*158,369*
Bank overdraft and loans	10,859	-	*10,859*
Future income tax liability	143,490	(8,375)	*135,115*
Miscellaneous	21,754	-	*21,754*
	358,420	13,958	*372,378*
PARTICIPATING POLICYOWNERS' ACCOUNT	5,883	42,088	*47,971*
DEFERRED CREDITS	360,261	-	*360,261*
SUBORDINATED DEBENTURES	185,000	-	*185,000*
EQUITY			
Currency translation account	5,067	(5,067)	-
Preferred equity securities	75,000	(75,000)	-
Surplus	647,821	(647,821)	-
SHAREHOLDERS' EQUITY			
Currency translation account	-	5,067	*5,067*
Preferred shares	-	75,000	*75,000*
Common shares	-	591,775	*591,775*
	727,888	(56,046)	*671,842*
General fund liabilities and equity	9,662,507	-	*9,662,507*
Segregated funds liabilities	3,388,308	-	*3,388,308*
Total liabilities and equity	13,050,815	-	*13,050,815*

PRO FORMA CONSOLIDATED
CONTINUITY OF EQUITY

As at December 31, 1999 (in thousands of dollars)

	Actual	Adjustments (note 2)	*Pro forma*
	$	$	*$*
EQUITY			
PREFERRED EQUITY SECURITIES	75,000	(75,000)	-
POLICYOWNERS' EQUITY			
Surplus	647,821	-	*647,821*
Provision for conversion expenses	-	(13,958)	*(13,958)*
Distribution to the participating policyowners' account	-	(42,088)	*(42,088)*
Transfer to common shareholders	-	(591,775)	*(591,775)*
Balance	647,821	(647,821)	-
Currency translation account	5,067	(5,067)	-
	727,888	(727,888)	-
PARTICIPATING POLICYOWNERS' ACCOUNT	5,883	42,088	*47,971*
SHAREHOLDERS' EQUITY			
Preferred shares	-	75,000	*75,000*
Common shares			
Issue of shares to offset the balance of surplus	-	251,969	*251,969*
Initial public offering	-	339,806	*339,806*
Balance	-	591,775	*591,775*
Currency translation account	-	5,067	*5,067*
	-	671,842	*671,842*

NOTES TO PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars)

1. PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The pro forma consolidated financial statements have been prepared to reflect the conversion of the mutual company into a capital stock company.

These pro forma financial statements have been prepared from and should be read in conjunction with the following financial information: the audited consolidated balance sheet and consolidated statement of income of Industrial-Alliance Life Insurance Company as at December 31, 1999 and for the year then ended.

The pro forma consolidated financial statements are not intended to reflect the financial position or the results of operations that would have actually resulted if the conversion of the Company into a capital stock company had taken place on the dates indicated, nor are they intended to be an indication of future results.

2. PRO FORMA ASSUMPTIONS

Conversion of the mutual company into a capital stock company

The pro forma consolidated financial statements are based on the assumption that the mutual company Industrial-Alliance Life Insurance Company is converted into a capital stock company and that this conversion is deemed to have taken place on January 1, 1999 for the purposes of the impact it has on the statements of income for the year ended December 31, 1999. This conversion is deemed to have taken place on December 31, 1999 for the purposes of the pro forma consolidated balance sheet and the pro forma consolidated continuity of equity at this date.

The principal impacts resulting from these assumptions are as follows:

a) A $2,100 charge to provide for the estimated cost of services to shareholders and recognition of a $789 related tax savings.

b) Allocation of an amount of $7,001 of surplus for the year to provide for net income attributable to participating policies.

c) Restatement of the surplus by an amount of $42,088 to the participating policyowners' account.

d) Reduction of the surplus by an amount of $13,958 to provide for conversion expenses not yet incurred, offset by an $8,375 decrease in future taxes and the growth of accounts payable of $22,333.

e) Reduction of $339,806 in policyowners' equity to account for the assumed cash distribution to the eligible members who will receive cash in lieu of shares.

f) Offset of the $251,969 balance of surplus by an equal amount of shares in order to proceed with the conversion of the mutual company into a capital stock company.

g) The issuance of $339,806 of common shares, to the public, to generate cash to cover the assumed level of cash distribution to policyholders.

Compilation Report

To the Directors of Industrial-Alliance Life Insurance Company

We have reviewed, as to compilation only, the accompanying pro forma consolidated financial statements of Industrial-Alliance Life Insurance Company as at December 31, 1999. In our opinion, the pro forma consolidated financial statements have been properly compiled to give effect to the proposed transaction described in note 1 thereto.

Samson Bélair
Deloitte & Touche, s.e.n.c.

Chartered Accountants

February 10, 2000

FIVE-YEAR HISTORY

Financial Data on a Consolidated Basis - Five-Year History

Years ended December 31 and as at December 31	*1999 Pro forma [1]*	**1999**	1998	1997	1996	1995
Profitability and capitalization		(in millions of dollars, unless otherwise indicated)				
Net income	*75.0 [2]*	**83.4**	69.7	65.4	59.9	51.5
Rate of return						
On shareholders' average equity	*13.20%*	-	-	-	-	-
On policyowners' average equity	-	**13.57%**	13.02%	14.04%	14.86%	15.61%
Per $100 of average assets	*$0.79 [3]*	**$0.88**	$0.89	$0.87	$0.81	$0.75
Net income per share	*$2.12 [4]*	-	-	-	-	-
Return on equity by line of business						
Individual Insurance	*13.46%*	**12.59%**	10.01%	10.01%	14.43%	13.86%
Group Insurance	*(6.81%)*	**(6.34%)**	12.46%	20.92%	26.91%	37.73%
Individual Annuities	*18.83%*	**18.77%**	19.31%	22.99%	18.29%	18.73%
Group Pensions	*12.76%*	**16.66%**	14.34%	14.46%	9.59%	12.65%
Total	*13.20%*	**13.57%**	13.02%	14.04%	14.86%	15.61%
Capitalization						
Subordinated debentures	*185.0*	**185.0**	110.0	110.0	110.0	60.0
Preferred equity securities	*75.0*	**75.0**	-	-	-	-
Surplus	-	**647.8**	570.5	498.4	433.0	355.6
Currency translation account	*5.1*	**5.1**	12.7	8.1	5.9	5.5
Participating policyowners' account	*47.9*	-	-	-	-	-
Common shares	*591.8*	-	-	-	-	-
Total	*904.8*	**912.9**	693.2	616.5	548.9	421.1
Debt to capital ratio	*23.7%*	**23.5%**	19.7%	22.3%	25.1%	22.5%
Minimum continuing capital and surplus requirements (MCCSR): ratio	-	**181.1%**	182.3%	181.0%	170.5%	-
Growth of business						
Insurance and annuities premiums	*2,009.2*	**2,009.2**	1,788.2	1,643.9	1,133.1	1,145.0
Fees and other	*68.0*	**68.0**	49.1	35.1	26.7	16.8
Total income	*2,810.3*	**2,810.3**	2,434.3	2,265.8	1,747.5	1,741.0
Individual insurance						
Sales (annualized premiums)	*106.1*	**106.1**	74.7	60.8	53.8	47.9
Premiums	*534.6*	**534.6**	416.3	372.6	344.5	315.1
Group insurance						
Sales (annualized premiums)	*41.1*	**41.1**	45.5	21.6	32.3	21.2
Premiums: creditor insurance	*75.7*	**75.7**	9.3	7.7	6.9	12.8
Total premiums (including ASO)	*356.5*	**356.5**	233.5	212.5	218.0	207.5
Individual annuities (savings and retirement)						
Premiums	*477.3*	**477.3**	502.6	523.7	298.1	260.1
Funds under management	*4,561.6*	**4,561.6**	3,513.7	3,328.3	2,948.7	2,673.1
Group pensions (savings and retirement)						
Premiums	*636.3*	**636.3**	609.6	504.0	234.4	331.8
Funds under management	*3,903.3*	**3,903.3**	3,465.7	3,070.5	2,821.2	2,641.8
Assets under management						
General funds	*9,662.5*	**9,662.5**	8,085.3	7,600.1	7,461.9	7,030.6
Segregated funds	*3,388.3*	**3,388.3**	2,540.6	2,044.9	1,207.5	778.1
Total	*13,050.8*	**13,050.8**	10,625.9	9,645.0	8,669.4	7,808.7

FIVE-YEAR HISTORY

Financial Data on a Consolidated Basis - Five-Year History (continued)

Years ended December 31 and as at December 31	*1999 Pro forma [1]*	**1999**	1998	1997	1996	1995
	(in percent, unless otherwise indicated)					
Distribution of investments by region						
Atlantic provinces	*4.1*	**4.1**	4.4	4.0	4.3	-
Quebec	*45.4*	**45.4**	51.8	54.1	56.6	-
Ontario	*23.0*	**23.0**	19.6	18.6	17.2	-
Western provinces	*22.7*	**22.7**	17.7	17.1	15.9	-
Outside Canada	*4.8*	**4.8**	6.5	6.2	6.0	-
Total	*100.0*	**100.0**	100.0	100.0	100.0	-
Quality of investments						
Non-performing assets as a percentage of investments	*0.26*	**0.26**	0.79	1.17	1.28	0.95
Bonds						
A or higher	*92.48*	**92.48**	91.62	91.15	90.51	90.27
BBB	*7.43*	**7.43**	8.12	8.56	8.81	8.80
BB and lower	*0.09*	**0.09**	0.26	0.29	0.68	0.93
Total	*100.00*	**100.00**	100.00	100.00	100.00	100.00
Delinquency rate	*0.0*	**0.0**	0.228	0.133	0.135	0.036
Mortgage loans						
Delinquency rate						
- Insured	*0.52*	**0.52**	0.85	2.38	1.99	3.25
- Conventional	*0.12*	**0.12**	0.31	0.94	0.93	0.68
- Total	*0.28*	**0.28**	0.54	1.54	1.37	1.67
Proportion of insured mortgage loans	*39.7*	**39.7**	41.5	42.0	42.0	38.9
Real estate						
Occupancy rate	*95.11*	**95.11**	91.03	95.05	94.22	95.17
Common stocks and equity indices						
Market to book value ratio	*113.04*	**113.04**	103.46	102.84	106.40	105.31
Other information						
General expenses (in millions of dollars)	*189.9*	**189.9**	145.6	137.0	132.1	128.9
Human resources (number of people, life insurance companies)						
Number of employees	*1,932*	**1,932**	1,611	1,535	1,487	1,525
Number of agents						
- Career agents network	*1,187*	**1,187**	1,216	1,152	1,059	1,001
- Brokers network	*12,073*	**12,073**	7,329	5,831	5,092	4,043
- National accounts network	*864*	**864**	477	-	-	-
- Total	*14,124*	**14,124**	9,022	6,983	6,151	5,044

[1] *On a capital stock company basis.*

[2] *Net income allotted to shareholders.*

[3] *Net income allotted to shareholders based on average assets.*

[4] *In the event the 2.5 million share "over-allotment option" is exercised, the profit per share would be $1.98 on the 1999 pro forma.*

BOARD OF DIRECTORS
OF INDUSTRIAL-ALLIANCE

■ ▲ ✖ **Raymond Garneau –**
O.C., M.C.Sc., L.E.Sc.
Chairman of the Board and
Chief Executive Officer
Industrial-Alliance Life Insurance Company

■ ✖ **Gilles Laroche – Engr.**
1st Vice-Chairman of the Board
Chairman of the Board
Le Groupe QuébecTel Inc.

▲ ❖ **Andréa Latulippe –**
FCA, C.Adm.
2nd Vice-Chairman of the Board
Advisor to the President
Industrial-Alliance Life Insurance Company

✖ **Dr. Francesco Bellini –**
Ph.D.
Chief Executive Officer
BioChem Pharma Inc.

■ ● **Louis Bernard –**
B.A., LL.L., M.A., Ph.D.
Louis Bernard Consultant Inc.

❖ **Pierre Brodeur**
President and Chief Executive Officer
SICO Inc.

■ **Yvon Charest –**
F.S.A., F.C.I.A.
President and Chief Operating Officer
Industrial-Alliance Life Insurance Company

● **Anne Dutil – Adm.**
President
Placements Lacroix Dutil, Inc.

● **Michel Gervais –**
Ph.D., O.C., O.Q.
Professor
Laval University

❖ **John E. Houghton –**
B. Eng.
Chairman of the Board
Milltronics Ltd.

■ ✖ **Lise Lachapelle – B.A.A.**
President and Chief Executive Officer
Canadian Pulp and Paper Association

■ ▲ **John LeBoutillier –**
LL.L., M.B.A.
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Iron Ore Company of Canada

▲ **Jean Marier – LL.L.**
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Desjardins Ducharme Stein Monast

David R. Peterson –
P.C., Q.C., LL.D.
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Vice-Chairman and Chairman Quebec Operations
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▲ **Donald J. Savoie –**
O.C., F.R.S.C.
Clément-Cormier Chair in Economic Development
Université de Moncton

■ Executive Committee
▲ Investment Committee
● Audit Committee
✖ Human Resources Committee
❖ Ethics Committee

PLANNING COMMITTEE
OF THE INDUSTRIAL-ALLIANCE GROUP

In 1999, a planning committee was created for the Industrial-Alliance Group. Made up of the senior managers of Industrial-Alliance, National Life and North West Life, this committee had a well-defined mission: to develop a strategic plan for the Group at the dawn of the new millennium.

Industrial-Alliance's new status as a capital stock company is the beginning of a new era for the Group. The strategy adopted by the planning committee is in line with the Group's objectives of constant growth of its Canadian operations and synergy and integration of operations between the parent company and its subsidiaries.

Raymond Garneau –
O.C., M.C.Sc., L.E.Sc.
Chairman of the Board and Chief Executive Officer
Industrial-Alliance Life Insurance Company

Yvon Charest – F.S.A., F.C.I.A.
President and Chief Operating Officer
Industrial-Alliance Life Insurance Company

Normand Pépin – F.S.A., F.C.I.A.
Executive Vice-President, Life Subsidiaries
Vice-President and General Manager,
Individual Insurance and Annuities
Industrial-Alliance Life Insurance Company

Vincent P. Tonna – C.G.A.
President and Chief Operating Officer
The National Life Assurance Company of Canada

John B. Gill – M.B.A.
President
The North West Life Assurance Company of Canada

SHAREHOLDER INFORMATION
SHAREHOLDER INFORMATION

TO REACH US

You may contact three departments, depending on the type of information you would like to obtain:

1. If you have questions concerning your shares, contact Montreal Trust Company, Industrial-Alliance's share transfer agent at:

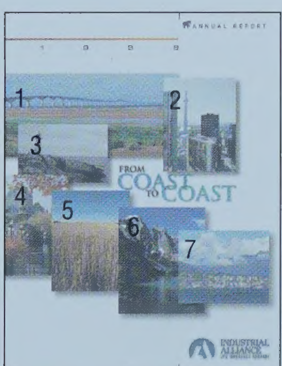
   Telephone: 1-877-684-5000 (toll free)
   E-mail: inalco@montrealtrust.com

2. For financial information on Industrial-Alliance, please contact the Investor Relations Department at:

   Telephone: (418) 684-5000, extension 5282
   1-800-463-6236, extension 5282 (toll free)
   Fax: (418) 684-5050
   E-mail: shares@inalco.com

3. For questions concerning your insurance or annuity contracts or for information on Industrial-Alliance's products and services, contact Industrial-Alliance's Client Service Department at:

   Telephone: (418) 684-5182
   1-800-463-6236 (toll free)
   E-mail: clientele@que.inalco.com



1. Confederation Bridge, Prince Edward Island
2. CN Tower, Toronto, Ontario
3. Peggys Cove, Nova Scotia
4. Château Frontenac, Quebec City, Quebec
5. Wheat field, Saskatchewan
6. Moraine Lake, Alberta
7. North Vancouver, British Columbia

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For more information or to obtain additional copies of this annual report, please contact:

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Fax: (418) 684-5050
E-mail: shares@inalco.com
Internet site: www.inalco.com

A section of the Internet site – Investor Relations – is destined specifically for shareholders and investors. It contains the Company's main financial information.

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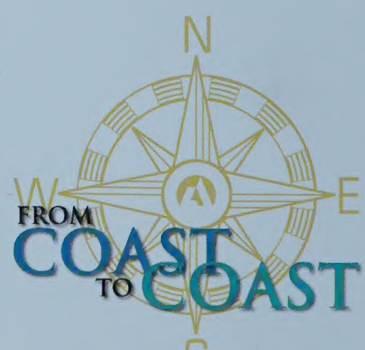
Ce rapport annuel est aussi disponible en français.

www.inalco.com



INDUSTRIAL ALLIANCE
LIFE INSURANCE COMPANY

ANNUAL REPORT